

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                                 |  |  |                  |
|---|---------------------------------|--|--|------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                                 | Local Government Name City of Lansing and<br>County of Ingham Joint Building Authority |  | County<br>Ingham |
| Audit Date<br>December 31, 2004   | Opinion Date<br>August 12, 2005 | Date Accountant Report Submitted to State:<br>August 31, 2005                          |  |                  |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

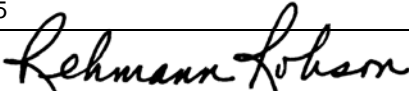
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 | X            |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|   |                 |             |              |
|---|-----------------|-------------|--------------|
| Certified Public Accountant (Firm Name)<br>REHMANN ROBSON GERALD J. DESLOOVER, CPA                          |                 |             |              |
| Street Address<br>5800 GRATIOT, PO BOX 2025   | City<br>SAGINAW | State<br>MI | Zip<br>48605 |
| Accountant Signature<br> |                 |             |              |

**CITY OF LANSING AND  
COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Financial Statements**

**For The Year Ended December 31, 2004**



**REHMANN ROBSON**

*Certified Public Accountants*

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

August 12, 2005

To the Commissioners of the  
City of Lansing and County of Ingham  
Joint Building Authority Board  
Lansing, Michigan

We have audited the accompanying basic financial statements of the *City of Lansing and County of Ingham Joint Building Authority*, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lansing and County of Ingham Joint Building Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Lansing and County of Ingham Joint Building Authority as of December 31, 2004, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the GASB has determined is necessary to supplement, although not required to be, part of the basic financial statements.

*Rehmann Robson*

# **BASIC FINANCIAL STATEMENTS**

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Statement of Net Assets  
December 31, 2004**

|  | <b><u>Business-type<br/>Activities</u></b> |
|--|--|
| <b>ASSETS</b>  |  |
| Current assets:  |  |
| Cash and cash equivalents                              | \$ 86,779                                  |
| Prepaid items  | <u>13,759</u>                              |
| Total current assets                                   | <u>100,538</u>                             |
| Capital assets   |  |
| Land   | 470,000                                    |
| Buildings and improvements                             | 22,017,409                                 |
| Equipment  | 1,259,041                                  |
| Less accumulated depreciation                          | <u>(1,971,444)</u>                         |
| Total capital assets (net of accumulated depreciation) | <u>21,775,006</u>                          |
| Total assets   | <u>21,875,544</u>                          |
| <b>LIABILITIES</b>                                     |  |
| Current liabilities:                                   |  |
| Accrued interest payable                               | 99,832                                     |
| Deferred revenue                                       | 6,879                                      |
| Current portion of bonds payable                       | <u>495,000</u>                             |
| Total current liabilities                              | 601,711                                    |
| Noncurrent liabilities:                                |  |
| Bonds payable  | <u>10,775,000</u>                          |
| Total liabilities                                      | <u>11,376,711</u>                          |
| <b>NET ASSETS</b>                                      |  |
| Invested in capital assets, net of related debt        | 10,505,006                                 |
| Unrestricted (deficit)                                 | <u>(6,173)</u>                             |
| Total net assets                                       | <u><u>\$ 10,498,833</u></u>                |

The notes to the financial statements are an integral part of these financial statements.

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended December 31, 2004**

|  | <b>Business-type<br/>Activities</b> |
|--|-------------------------------------|
| <b>Operating revenues</b>                  |                                     |
| Lease payments from City of Lansing        | \$ 615,653                          |
| Lease payments from Ingham County          | 531,588                             |
| Total operating revenues                   | <u>1,147,241</u>                    |
| <b>Operating expenses</b>                  |                                     |
| Depreciation                               | 985,722                             |
| Other operating expenses                   | 52,218                              |
| Total operating expenses                   | <u>1,037,940</u>                    |
| Operating income                           | <u>109,301</u>                      |
| <b>Nonoperating revenues (expenses)</b>    |                                     |
| Investment earnings                        | 1,145                               |
| Interest and fiscal charges                | (619,237)                           |
| Total nonoperating revenue (expenses)      | <u>(618,092)</u>                    |
| Change in net assets                       | (508,791)                           |
| Net assets, beginning of year, as restated | <u>11,007,624</u>                   |
| Net assets, end of year                    | <u><u>\$ 10,498,833</u></u>         |

The notes to the financial statements are an integral part of this statement.

**CITY OF LANSING AND COUNTY OF INGHAM**  
**JOINT BUILDING AUTHORITY**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2004**

|  | <b><u>Business-type<br/>Activities</u></b> |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Receipts from customers and users  | \$ 1,173,137                               |
| Payments to suppliers  | (68,147)                                   |
| Net cash provided by operating activities  | <u>1,104,990</u>                           |
| <b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                     |  |
| Principal paid on long-term debt   | (470,000)                                  |
| Interest paid on long-term debt  | (623,153)                                  |
| Net cash used by capital and related financing activities  | <u>(1,093,153)</u>                         |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>   |  |
| Interest and dividends received  | <u>1,370</u>                               |
| Net increase in cash and cash equivalents  | 13,207                                     |
| Cash and cash equivalents, beginning of year   | <u>73,572</u>                              |
| Cash and cash equivalents, end of year   | <u><u>\$ 86,779</u></u>                    |
| <b>Reconciliation of operating income to net cash provided<br/>(used) by operating activities:</b> |  |
| Operating income   | <u>\$ 109,301</u>                          |
| Adjustments to reconcile operating income to net cash<br>provided (used) by operating activities:  |  |
| Depreciation expense   | 985,722                                    |
| (Increase) decrease in due from other governments  | 19,017                                     |
| (Increase) decrease in prepaid items   | (13,759)                                   |
| Increase (decrease) in accounts payable  | (2,170)                                    |
| Increase (decrease) in deferred revenue  | 6,879                                      |
| Total adjustments  | <u>995,689</u>                             |
| Net cash provided by operating activities  | <u><u>\$ 1,104,990</u></u>                 |

The notes to the financial statements are an integral part of this statement.



# **CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY**

## **Notes To Combined Financial Statements**

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Lansing and County of Ingham Joint Building Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The more significant of the Authority’s accounting policies are described below.

#### **A. Reporting Entity**

The Authority was incorporated pursuant to Act 31, Public Acts of Michigan, 1948, as amended. The Authority was created by the City of Lansing, Michigan (the “City”) and the County of Ingham, Michigan (the “County”) for the purpose of acquiring, renovating, furnishing, equipping, operating and maintaining facilities for use in any legitimate public purpose of the incorporating units.

These financial statements represent the financial condition and results of operations of a *joint venture*, as defined under GASB Statement No. 14. Because the joint venture agreement does not provide an explicit contractual formula outlining the participants’ claim to the Authority’s assets, this is deemed to be a *joint venture with no equity interest*. The significance of this distinction is that the joint venture participants will not report an equity interest in the assets of the Authority on the face of their respective financial statements.

No other governmental entities are part of the Authority. Currently, the Authority does not have any employees.

#### **B. Measurement Focus, Basis of Accounting and Basis of Presentation**

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

# **CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY**

## **Notes To Combined Financial Statements**

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The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **C. Assets, Liabilities and Equity**

#### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in the Ingham County Treasurer's cash management pool, which has the general characteristics of demand deposits in that deposits and withdrawals may be made at any time without prior notice or penalty.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial papers, repurchase agreements and banker acceptances.

#### **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### **Capital Assets**

Capital assets, which include property, plant and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Notes To Combined Financial Statements**

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Capital assets are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u>              | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 30           |
| Equipment                  | 5            |

**Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year-end, the carrying amount of the Building Authority's deposits in the Ingham County Treasurer's cash management pool was \$86,779. Information regarding the Ingham County Treasurer's cash management pool, including bank balances, insurance coverage and risk categorization, is presented in the Ingham County comprehensive annual financial report, which may be obtained by writing Ingham County Financial Services Division, P.O. Box 319, Mason, Michigan 48854, or by calling (517) 676-7329.

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Notes To Combined Financial Statements**

**B. Capital Assets**

Capital assets activity for the year ended December 31, 2004, was as follows:

|  | Balance<br>January 1,<br><u>2004</u> | <u>Increases</u>           | <u>Decreases</u>   | Balance<br>December 31,<br><u>2004</u> |
|--|--------------------------------------|----------------------------|--------------------|--|
| Capital assets not being depreciated:          |                                      |                            |                    |  |
| Land   | \$ 470,000                           | \$ -                       | \$ -               | \$ 470,000                             |
| Capital assets being depreciated:              |                                      |                            |                    |  |
| Buildings and improvements                     | 22,017,409                           | -                          | -                  | 22,017,409                             |
| Equipment                                      | <u>1,259,041</u>                     | <u>-</u>                   | <u>-</u>           | <u>1,259,041</u>                       |
| Total capital assets being<br>depreciated      | <u>23,276,450</u>                    | <u>-</u>                   | <u>-</u>           | <u>23,276,450</u>                      |
| Less accumulated depreciation for:             |                                      |                            |                    |  |
| Buildings and improvements                     | 733,914                              | 733,914                    | -                  | 22,017,409                             |
| Equipment                                      | <u>251,808</u>                       | <u>251,808</u>             | <u>-</u>           | <u>1,259,041</u>                       |
| Total accumulated depreciation                 | <u>985,722</u>                       | <u>985,722</u>             | <u>-</u>           | <u>23,276,450</u>                      |
| Total capital assets being<br>depreciated, net | <u>22,290,728</u>                    | <u>(985,722)</u>           | <u>-</u>           | <u>21,305,006</u>                      |
| <b>Total capital assets, net</b>               | <b><u>\$ 22,760,728</u></b>          | <b><u>\$ (985,722)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 21,775,006</u></b>            |

**C. Long-term Debt**

The Authority issued limited tax general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds are direct obligations of the Authority and are backed by a Full Faith and Credit General Obligation Lease Contract between the Authority, the City and the County. General obligation bonds currently outstanding are as follows:

|   | Balance<br>December 31,<br><u>2004</u> |
|---|--|
| \$13,000,000 1999 City of Lansing and County of Ingham Joint<br>Building Authority serial bonds, due in annual installments of \$420,000<br>to \$1,050,000 through November 1, 2019; interest at 5.0% to 5.5%;<br>callable on or after November 1, 2009, at par with no premium | <b><u>\$ 11,270,000</u></b>            |

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Notes To Combined Financial Statements**

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Annual debt service requirements to maturity for general obligation bonds are as follows:

| <b>Fiscal Year Ending<br/>December 31</b> | <b>Principal</b>            | <b>Interest</b>            | <b>Total</b>                |
|---|-----------------------------|----------------------------|-----------------------------|
| 2005                                      | \$ 495,000                  | \$ 599,052                 | \$ 1,094,052                |
| 2006                                      | 525,000                     | 574,302                    | 1,099,302                   |
| 2007                                      | 555,000                     | 547,396                    | 1,102,396                   |
| 2008                                      | 585,000                     | 518,952                    | 1,103,952                   |
| 2009                                      | 620,000                     | 488,972                    | 1,108,972                   |
| 2010-2014                                 | 3,680,000                   | 1,924,262                  | 5,604,262                   |
| 2015-2019                                 | <u>4,810,000</u>            | <u>816,804</u>             | <u>5,626,804</u>            |
| <b>Total</b>                              | <b><u>\$ 11,270,000</u></b> | <b><u>\$ 5,469,740</u></b> | <b><u>\$ 16,739,740</u></b> |

Long-term liability activity for the year ended December 31, 2004 was as follows:

|   |                             |
|---|-----------------------------|
| Total debt outstanding - January 1, 2004          | \$ 11,740,000               |
| Less principal payments paid                      | <u>(470,000)</u>            |
| <b>Total debt outstanding - December 31, 2004</b> | <b><u>\$ 11,270,000</u></b> |
| <b>Due within one year</b>                        | <b><u>\$ 495,000</u></b>    |

**II. OTHER INFORMATION**

**A. Related Party Transactions**

The City and County have entered into an agreement with the Authority to lease the facilities acquired and constructed by the Authority. The lease payments are equal to the Authority's debt principal and interest payments. Lease payments for debt service received by the Authority from the City and the County were \$615,653 and \$531,588, respectively.

Other services, such as administrative and accounting services, are being provided to the Authority at no cost by the City and County. The value of such services are inconsequential to the financial statements and, accordingly, are not recorded.

# CITY OF LANSING AND COUNTY OF INGHAM JOINT BUILDING AUTHORITY

## Notes To Combined Financial Statements

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### **B. Risk Management**

The Authority manages its risk exposures through commercial insurance. Settlements, if any, have not exceeded insurance coverage since inception of the Authority.

### **C. Restatements**

As of and for the year ended December 31, 2004, the Authority implemented the following Governmental Accounting Standards Board pronouncements:

#### **Statements**

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

#### **Interpretation**

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Authority is required to implement the new requirements in the current year.

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

**CITY OF LANSING AND COUNTY OF INGHAM  
JOINT BUILDING AUTHORITY**

**Notes To Combined Financial Statements**

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During the implementation process, the Authority reclassified the previously reported governmental funds to enterprise funds to reflect the fact that the Authority's activities that are financed in whole by fees charged to external parties. Beginning net assets of the enterprise funds/business-type activities were determined as follows:

|  |                             |
|--|-----------------------------|
| Fund balances of debt service and capital projects funds<br>as of December 31, 2003    | \$ 90,644                   |
| Add capital assets as follows:   |                             |
| Capital assets as of December 31, 2003   | 23,746,450                  |
| Less accumulated depreciation as of December 31, 2003                                  | (985,722)                   |
| Deduct general obligation bonds payable as of December 31, 2003                        | (11,740,000)                |
| Deduct accrued interest payable on general obligation bonds<br>as of December 31, 2003 | <u>(103,748)</u>            |
| <b>Net assets, beginning of year, as restated</b>                                      | <b><u>\$ 11,007,624</u></b> |

\* \* \* \* \*